

Message Text

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43

ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-07 L-02

NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 STR-01 IGA-01

AGR-05 /089 W

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R 061527Z FEB 75

FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC 7363

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY TEGUCIGALPA

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GUATEMALA ALSO FOR ROCAP

E.O. 11652: N/A

TAGS: ETRD; ECIN; XK; ES

SUBJECT: EL SALVADOR REACTS TO INTRA-CACM TRADE RESTRAINTS

1. THE SALVADORAN ASSOCIATION OF INDUSTRIALISTS/(ASI) PUBLISHED ON 28 JANUARY A FULL-PAGE BROADSIDE DEPLORING THE "... DETERIORATION OF OUR COMMERCIAL RELATIONS WITH SOME COUNTRIES OF CACM CAUSED BY UNILATERALLY IMPOSTED RESTRICTIONS AND OBSTACLES TO SALVADORAN EXPORTS..." THESE OBSTACLES INCLUDE ARBITRARY BORDER CLOSINGS, DISCRIMINATION AGAINST "SENSITIVE" PRODUCTS, THE IMPOSITION OF IMPORT QUOTAS AND HIGH CONSUMER TAXES. ASI ADDS A BLAST AT MARITIMA MUNDIAL S.A. AND ITS MONOPOLY FARES FOR FERRY SERVICE ACROSS THE GULF OF FONSECA.

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2. ASI GOES ON TO CLAIM THAT EL SALVADOR HAS THUS FAR NOT

ITSELF BLOCKED TRADE WITHIN THE CACM BUT CANNOT CONTINUE TO ACCEPT THE DISRUPTIVE POLICIES OF OTHERS. IT CALLS FOR GOES EFFORTS TO ELIMINATE SUCH BARRIERS AND OBSTACLES AS EXIST.

3. REACTING TO THIS AND OTHER PRESSURES THE GOES HAS BEEN ATTEMPTING TO REVERSE NICARAGUAN AND COSTA RICAN IMPORT LIMITATIONS ON SALVADORAN PRODUCTS. THE SALVADORAN MINISTER OF ECONOMY WILL DISCUSS THIS PROBLEM AT THE FORTHCOMING MEETING OF CA ECONOMIC MINISTERS SCHEDULED FOR FEBRUARY 21 - 22. IF THEY ARE UNABLE TO REACH AGREEMENT, PRESIDENT MOLINA WILL PROBABLY BRING UP THE SUBJECT AT THE NEXT MEETING OF CA CHIEFS OF STATE.

4. OF PRIME CONCERN ARE TEXTILES AND SHOES, MAJOR ITEMS IN SALVADORAN EXPORTS. NICARAGUAN TEXTILE IMPORTATION QUOTAS STEM FROM TEMPORARY RESTRICTIONS AGREED TO BY EL SALVADOR IMMEDIATELY FOLLOWING THE MANAGUA EARTHQUAKE. THE GOES ARGUES THAT NICARAGUAN PRODUCTION IS FULLY RECOVERED AND COMPETITIVE, AND THAT A COUNTRY WITH 10 PERCENT PROJECTED GROWTH FOR 1975 DOES NOT NEED ARTIFICIAL PROTECTION. NICARAGUA HAS NOW AGREED TO 25 PERCENT INCREASE BY VALUE FOR SALVADORAN TEXTILE EXPORTS TO THAT COUNTRY, AN INCREASE SALVADORANS SEE AS A PARTIAL ADJUSTMENT (FROM 1971) FOR INFLATION. COSTA RICA HAS IMPOSED ANNUAL QUOTAS OF US\$285,000 FOR FABRIC, \$190,000 FOR CLOTHING AND \$110,000 FOR SHOES, BASED ON PRIOR 18 MONTH AVERAGE TRADE DATA WITH NO ALLOWANCE FOR INFLATION.

5. COMMENT: INDUSTRIALISTS AFFECTED BY THESE RESTRICTIONS PUT LITTLE FAITH IN THEIR OWN GOVERNMENT'S ABILITY TO COUNTERACT THE NICARAGUAN POSITION, REGARDLESS OF THE FORA, GIVEN WHAT THEY SEE AS PRESIDENT SOMOZA'S PERSONAL COMMITMENT TO THIS PROTECTIVENESS. THEY ARE HIGHLY CRITICAL OF THE GOES AND GOG FOR AGREEEEING, ALTHOUGH IN NICARAGUA'S HOUR OF DIFFICULTY AFTER THE EARTHQUAKE, TO EXPORT RESTRICTIONS WHICH DID NOT PROVIDE FOR REVIEW OR EXPIRATION. THEIR CURRENT TACTIC IS TO MAINTAIN PUBLIC ATTENTION ON THE PROBLEM AND PRESSURE ON THE GOVERNMENTS TO MEET AS SCHEDULED. THIS REFLECTS THEIR OPINION THAT THE NICARAGUANS BUY TIME BY LIMITED OFFICIAL USE

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POSTPONING MEETINGS, AS THEY DID THE MEETING OF ECONOMIC VICE MINISTERS. EL SALVADOR'S CASE IS WEAKENED BY AN OVERALL FAVORABLE INTRA-REGIONAL TRADE BALANCE (\$14.8M IN 1974 EST.), EXCEEDED BY ONLY BY THAT OF GUATEMALA. NONETHELESS, CRYING FOUL WHEN CACM PARTNERS RAISE ARTIFICIAL BARRIERS DOES SEEM JUSTIFIED IF FOR NO OTHER REASON THAN ON POLITICAL AND EQUITY GROUNDS. DESPITE EXISTING PROVISIONS FOR GENERALLY FREE TRADE WITHIN THE CACM, THERE HAS BEEN A CONTINUING HISTORY OF UNI-

LATERAL TRADE RESTRICTIONS IMPOSED BY MEMBERS
AGAINST ONE ANOTHER. THESE MEASURES TEND TO DECREASE OR IN-
TENSIFY AS INDUSTRY BY INDUSTRY OR COUNTRY BY COUNTRY COMPETITIVE
SITUATIONS VARY. PROTESTATIONS OF BROTHERHOOD AND UNITY NOT-
WITHSTANDING, EACH MEMBER LOOKS OUT FOR ITSELF FIRST. FREE
TRADE AND UNION ARE SECONDARY GOALS.
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